

Overview of the Uruguay Round

On January 1, 1995, the World Trade Organization (WTO) was established. This new organization was created to implement the Agreements reached as a result of the Uruguay Round of Multilateral Trade Negotiations, the last and most significant set of trade negotiations conducted under the auspices of the General Agreement on Tariffs and Trade (GATT). Completion of the Uruguay Round was an important part of President Clinton's strategy for strengthening the domestic economy. The President led the effort to reinvigorate the negotiations and to break the gridlock that had stalled the negotiations despite several years of preparation and another seven years of negotiation. Congress approved the results of the negotiation and establishment of the WTO in the Uruguay Round Agreements Act (URAA) and President Clinton signed the URAA on December 8, 1994.

Just as U.S. leadership was critical to conclusion of the Round and establishment of the WTO, 1995 brought new challenges requiring the United States to demonstrate its commitment and leadership to a strong, open multilateral trading system by working diligently to bring the Agreements so long under negotiation into reality and the new Organization into being. All told, the Uruguay Round, when fully implemented generally is estimated to add \$100-\$200 billion to U.S. GDP annually.

In brief, the Agreements:

- ! cut tariffs worldwide on manufactured products by over one-third, the largest reduction in history;
- ! protect the intellectual property of U.S. entrepreneurs in industries such as pharmaceuticals, entertainment and software from piracy in world markets;
- ! ensure open foreign markets for U.S. exporters of services such as accounting, advertising, computer services, tourism, engineering and construction;
- ! greatly expand export opportunities for U.S. agricultural products by limiting the ability of foreign governments to restrict trade through tariffs, quotas, subsidies and a variety of other domestic policies and regulations;
- ! ensure that developing countries follow the same trade rules as developed countries and that there will be no "free-riders;"
- ! establish an effective set of rules for the prompt settlement of disputes, thus eliminating shortcomings in the previous (GATT) system that allowed countries to drag out the process and block judgements they did not like; and
- ! create an on-going forum for multilateral trade negotiations to assure that the rules of the system remain current and able to address pressing new issues such as the relationship between trade and the environment.

The Agreements will not, however:

- ! impair the effective enforcement of U.S. laws;
- ! limit the ability of the United States to set its own environmental and health standards and to pass its own laws; or
- ! erode the sovereignty of the United States to pass its own laws.

There are currently 119 WTO members, and some 29 economies seeking to join the Organization. Membership requires commitments to adhere to the rules and disciplines of the WTO and to provide market access for goods and services to other WTO members. WTO Members are responsible for monitoring compliance of the Agreements and setting the course for the Organization. The WTO Agreement provides for a small WTO Secretariat of international civil servants headed by a Director General. In 1995, Renato Ruggiero, former trade minister of Italy, was selected Director General for a four-year term.

Although the WTO effectively replaces the GATT, the so-called “GATT 1947” remained in force until the end of 1995, allowing time for GATT contracting parties to accede to the WTO. Additionally, the “GATT 1994” is part of the WTO Agreements in the form of an amended version of the GATT 1947. The provisions of the GATT 1994 set out basic obligations on trade in goods. With the exception of the four WTO “plurilateral Agreements” (Agreement on Civil Aircraft, Government Procurement Agreement, Bovine Meat Agreement and Dairy Agreement), all of the WTO Agreements are “multilateral,” and therefore, mandatory for all WTO Members.

The following pages review the state of implementation efforts to date and outline the prospects for the year ahead. At the end of 1996, Trade Ministers will convene in Singapore to review the work of the WTO, consider additions to its agenda and assure full and effective implementation of the Agreements.